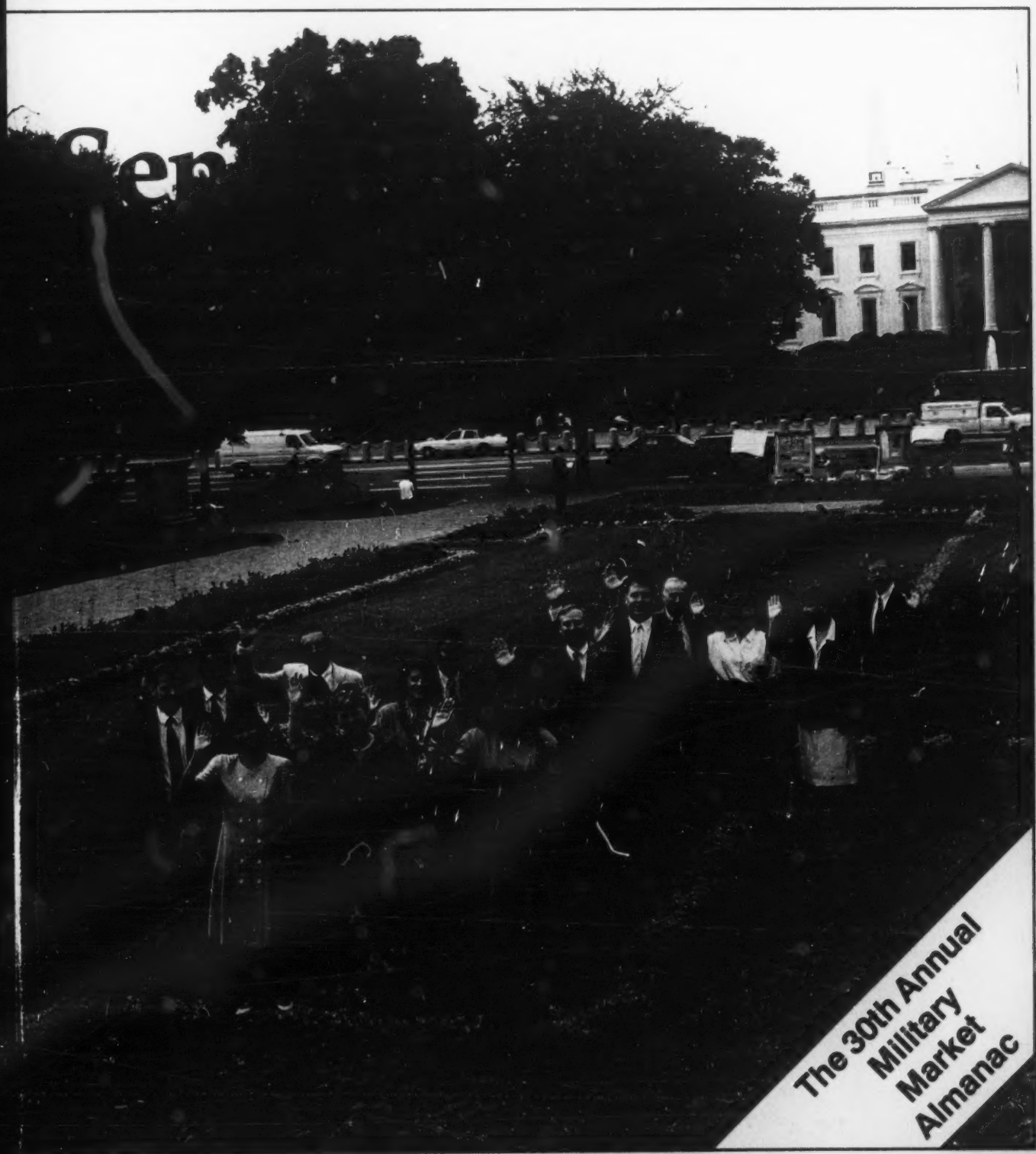
SPECIAL PULL-OUT: THE 1990 PROMOTIONS CALENDAR

C8910-1+

Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM | ARMY TIMES PUBLISHING COMPANY | OCTOBER 1989 $6.00



The 30th Annual Military Market Almanac

CONTENTS

The 30th annual Military Market Almanac — 45

OCTOBER 1989 VOL. 40, NO. 10

News

☐ AAFES regroupings and job cuts. ☐ Jones Commission releases a draft of its study. Reviews of cooperative advertising and EDI. . . . Plus other updates. 6

Special Report

Are cross-operated stores the wave of the future? 22

Calendar

The promotions set for 1990. 33

Almanac

Demographics on the military population and market. 45

Market Report

Tobacco: It has entered the twilight zone. 68

System of the Month

The Air Force Commissary Service: It keeps moving. 76

COVER STORY

A look at the ALA, the convention, those who have signed up and San Diego by Associate Editor Marie Ferrey. 82

Departments

Military Market Index 4
New Products 93
Promos 94
Supplier Notes 96
Calendar 98
Com-Ex Comix/Ad Index 99
The Last Word 100

ON THE COVER: The ALA Headquarters staff in Lafayette Park, Washington, D.C.

COVER PHOTO BY RICH MASON; DESIGN BY MARTY BAUMANN

Military Market MAGAZINE

EDITOR
Nancy Tucker
MANAGING EDITOR
Robert A. Devaney
ASSOCIATE EDITORS
Marie E. Ferrey, Karen M. McBeth
OFFICE MANAGER
Pattie Lykins
NEWS SERVICE
P. J. Budehn, Editor;
Rick Maze, Grant Willis,
Charlie Schill
GRAPHICS EDITOR
Donna M. Peterson
ART DIRECTOR
Marty Baumann
STAFF PHOTOGRAPHERS
Kate Patterson, William S. Kats,
Doug Pensinger, Rich Mason
ADVERTISING MANAGER
Herbert Jacobs
CIRCULATION MANAGER
Andrew J. Wall
ADVERTISING PRODUCTION
Phyllis King
EDITORIAL PRODUCTION
Cynthia Aldridge, Larry Turner
PRE-PRESS
Diana Simmons, Larry Christ
Jonathan Cary, I. Bruce Haley

EXECUTIVE/EDITORIAL
6883 Commercial Drive
Springfield, Virginia 22159-0210
(703) 750-8676
FAX # (703) 750-8622
ADVERTISING SALES
1 Citicorp Center
153 East 53rd Street
New York, New York 10022
(212) 753-1040

VICE PRESIDENT-EDITORIAL DIRECTOR
James S. Doyle
VICE PRESIDENT-ADVERTISING
Nat Kornfeld
NATIONAL SALES MANAGER
Ed Walsh

Copyright 1989 The Times Journal Co., Army Times Publishing Co.-Trade Division. The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

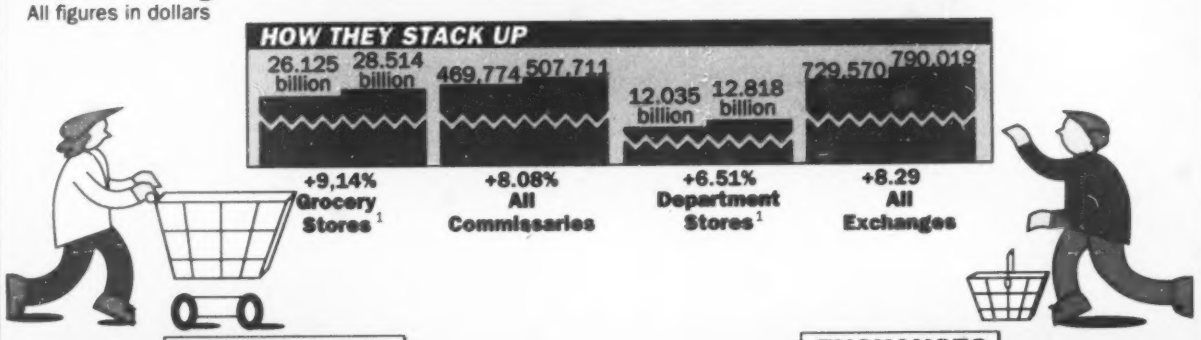
ABPA

MILITARY MARKET (USPS 511-580): Published 12 times a year by the Army Times Publishing Co., a division of The Times Journal Co., Springfield, Va. 22159-0210. Single copies: $3. Annual January Buyers Guide, July Directory: $10 each. Subscriptions: 1 year, $22 (outside U.S., $40); 2 years, $40 (outside U.S., $72); 1 year, outside U.S. via airmail, $100. Second class postage paid at Springfield, Va., and additional mailing offices. POSTMASTER: Send address changes to Military Market Magazine, Springfield, Va. 22159-0210.

Military Market Index

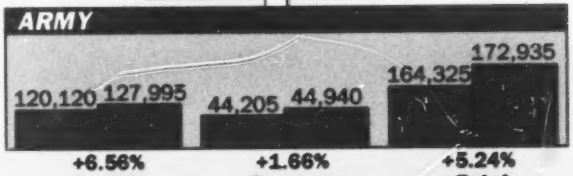
June '88 June '89

All figures in dollars

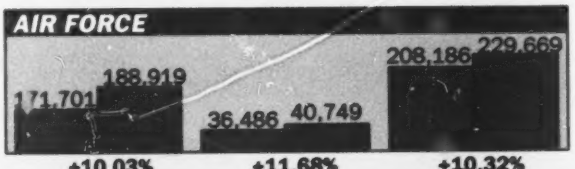


COMMISSARIES

ARMY

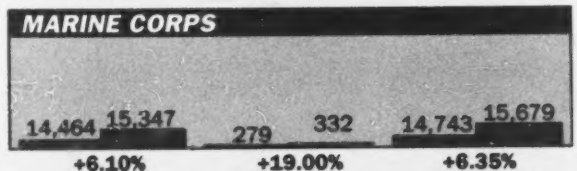


AIR FORCE

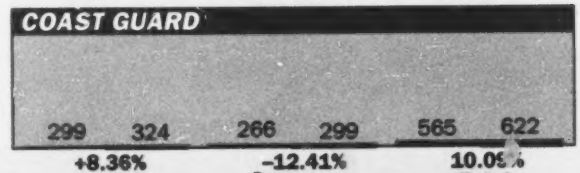


NAVY

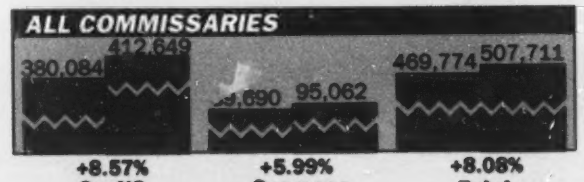
MARINE CORPS



COAST GUARD

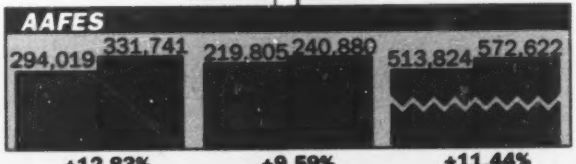


ALL COMMISSARIES

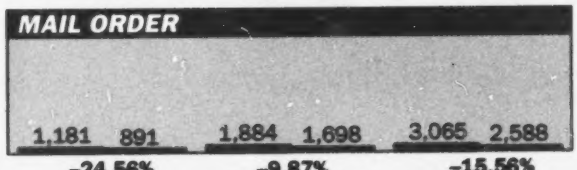


EXCHANGES

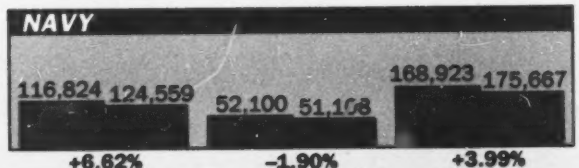
AAFES



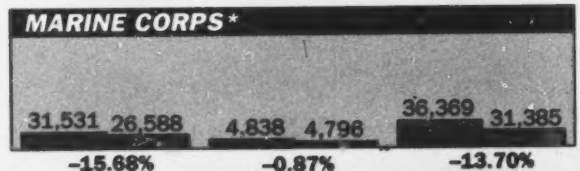
MAIL ORDER



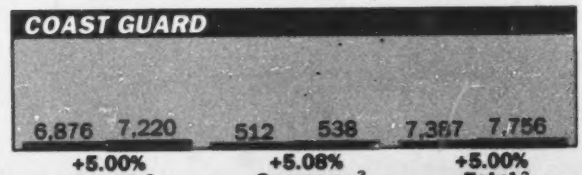
NAVY



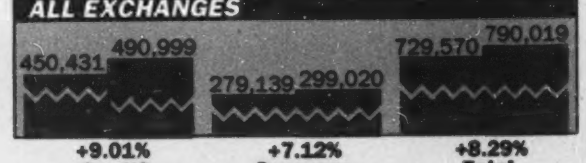
MARINE CORPS*



COAST GUARD



ALL EXCHANGES



1) Source: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

*Because of MWR consolidation, Marine Corps exchange sales in 1989 are not comparable to 1988 sales.

Marty Baumann

CROSS-OPERATED STORES

Store Swapping

The services are cooperative and non-possessive, because cross-operated stores save money, improve selection and increase efficiency. Are these peaceful takeovers the wave of the future? Associate Editor Karen McBeth filed this special report.

If the commissary at Fitzsimons Army Medical Center, Colo., had been transferred to AFCOMS this month as planned, it would have joined the ranks of "cross-operated" stores: commissaries owned by one service but operated on the installation of another branch of the military.

In practice, these operations have existed for some time. In theory, they are becoming ever more popular.

When one service finds that another commissary system can supply a store more efficiently, the arrangement is struck. The gaining service changes the computer system, adds the store to its reports and keeps the surcharge revenues as income. The losing service crosses the store's personnel out of its operating budget.

"Most of the people transfer to the gaining service under transfer of functions," Charles Fulmore, deputy to the commander of the Troop Support Agency, told MILITARY MARKET.

In some cases, the commissary keeps the signage and appearance of the installation's parent. But often, employee identification and store decor take on the look of the gaining service. When a new store is required before the transfer, the gaining service is usually the one to build it, at no charge to the host.

MILITARY MARKET research indicates that less than 10 installations have taken advantage of such arrangements to date. But military experts agree that other opportunities may exist in the future, especially as pressure increases on appropriated funds for commissaries.

"At joint meetings, we are always discussing those kinds of opportunities," Col. Ronald Leach, the former operations director of the Air Force Commissary Service, told MILITARY MARKET before he retired.

The Navy's Ed Yerman, deputy commander of the commissary store division, said that the services conduct studies on the cost/benefit of possible transfers "all the time."

"The bottom line is, if it will be more efficient to the Department of Defense and the taxpayer — can we save appropriated dollars by either obtaining or maintaining the support," TSA's Fulmore explained.

Col. Frank Dooley, commander of AFCOMS' Northeast Commissary Region, agreed: "When you have the opportunity to pool resources and share the overhead, I think it makes good operating sense." Dooley was director of operations for AFCOMS when it built the Fort Dix/McGuire AFB, N.J., store.

— *Navy/Coast Guard* —

Technical arrangements for the switchovers vary among the services.

For example, the Navy operates the Coast Guard's Governor's Island, N.Y., commissary as a contractor, considering it a Coast Guard store even though it is listed on Navy reports for convenience's sake.

In an unusual arrangement, the Navy bills the Coast Guard at the end of each year for reimbursement of operations and maintenance funds, which go to paying Navy employees in the store. This billing is in addition to keeping the surcharge dollars, which pay for equipment expenditures.

"We think it still should be a Coast Guard store," Yerman explained. "We run it because we have the resources close by. It saves the taxpayers money."

For instance, the Coast Guard didn't have the advantage of a centralized warehouse like the Navy's at Davis-

ville, R.I., explained assistant deputy commander Anthony De Gaetano.

With the Davisville field support office nearby, the Navy can provide central procurement, inventory control, data processing, accounting, administration and distribution functions that the Coast Guard, with only two commissaries, cannot. (Besides the Governor's Island, N.Y., store, the Coast Guard has a commissary at Kodiak, Alaska.)

The Governor's Island commissary also benefits by being able to share in the Navy's voluntary price reductions.

"It's a case of DoD supporting the Department of Transportation — different departments helping each other to service the service member," De Gaetano explained.

And it is done at a savings of federal dollars. Yerman said that, after the Navy took over operation of the store in May 1987, fiscal year 1987 savings to the taxpayer were $157,641. Sales for the store went from $2.6 million in fiscal 1986 to $3.2 million in fiscal 1988. This year, the increase so far has been about 6.7 percent, Yerman said.

Back in May 1987, the store carried 2,700 line items. By December 1988, the merchandise selection had jumped to 6,700 line items. Yerman said the Navy plans to enlarge the sales area soon.

— *Air Force/Marines* —

Three Marine Corps commissaries on the Japanese island of Okinawa are operated by the Air Force under what is called a memorandum of understanding or memorandum of agreement.

The Japanese Facilities Improvement Program still pays for the construction of some of the Okinawa stores, as is common in the Pacific. The JFIP, for instance, will pay for construction of a new commissary to be built at Camp Kinser, Okinawa, in fiscal 1990. But the Air Force helped pay for construction of the commissary at Camp Foster.

The Air Force signed an agreement with the Japanese to run the Marine Corps stores. The store personnel are AFCOMS employees and the Air Force so far is keeping the surcharge money.

However, Pat Nixon, Marine Corps commissary program manager, said that the Marines may share in the Camp Foster revenues after the Air Force pays off its initial investment.

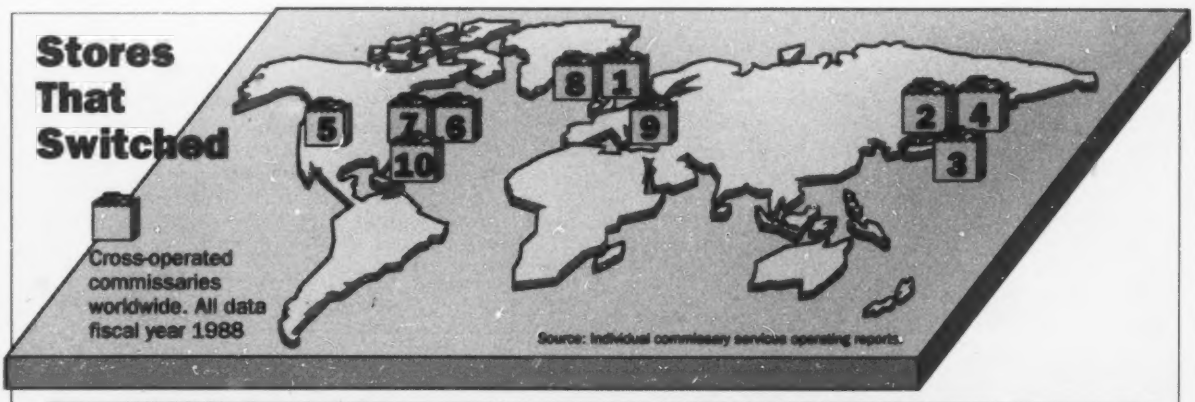
The only contact that the Marine Corps has with the stores is to ascertain occasionally that service levels are being maintained, Nixon said. Each base does perform some maintenance on the stores, for which it is sometimes reimbursed by the Air Force.

"It's a benefit to the Marine Corps — a sound business decision," he explained. "The Air Force has a large commissary at Kadena [AB, Okinawa], so it makes more sense from a business standpoint not to have everybody running stores just because they have a base there."

The stores use the Air Force computer system, but they continue to feature Marine Corps decor and signage. "When they are operating as an agent, then the integrity of the store must be maintained," Nixon said.

— *Store Identity* —

In other cases, the commissary ceases to associate itself with the parent service. According to TSA's Fulmore, "Once the [gaining] service takes over the management, it is their store."



INSTALLATION	OWNED BY	STORE RUN BY	AVG. MO. SALES	ANNUAL SURCHARGE REV.
1 Burtonwood, U.K.	Army	Air Force	$20,050	$11,664
2 Camp Courtney, Okinawa	Marine Corps	Air Force	$110,831	$64,475
3 Camp Foster, Okinawa	Marine Corps	Air Force	$1,787,114	$1,039,629
4 Camp Kinser, Okinawa	Marine Corps	Air Force	To be built in FY 1990	
5 Fitzsimons, Colorado	Army	Undecided	$857,248	$504,062
6 Governor's Island, N.Y.	Coast Guard	Navy	$266,597	$164,619
7 Fort Dix, (McGuire), N.J.	Army	Air Force	$4,317,364	$2,511,566
8 Menwith Hill, U.K.	RAF	Air Force	$180,002	$104,713
9 Nea Makri, Greece	Navy	Air Force	$63,864	$15,480
10 Pope AFB, N.C.	Air Force	Army	$96,146	$56,534

Cristina Rivero

CROSS-OPERATED STORES

"I strongly endorse them [joint operations], whenever the opportunity presents itself — as long as it doesn't cost the taxpayer money or affect customer service."

He said that the gaining service uses its own merchandising material and product selections. TSA does not provide signage or other identification to the Air Force for the Army stores which AFCOMS runs. The employees at Pope AFB, N.C., which the Army runs for AFCOMS, wear beige jackets, the Army's color, while those at Dix/McGuire wear red, the color of jackets for Air Force managers.

But AFCOMS does attempt to give its adopted stores the flavor of the host installation. "Our philosophy is, even if it belongs to AFCOMS, to use the other service's signage," AFCOMS's Leach said. "It's important for customers at that installation."

Dooley, who was formerly commander of AFCOMS's European Region, said that Army signage is used at Burtonwood, England, an Army installation with a commissary run by the Air Force. "We make a conscious attempt to make the store look like the service of the base it is on."

Because the Navy considers Governor's Island a Coast Guard store, it is not surprising that it follows the same philosophy. The store still has the Coast Guard signs which it always had. Next year, the Navy will coordinate store sales and promotions for the 200th anniversary of the Coast Guard.

"It looks to the customer as if it's a Coast Guard store — and why shouldn't it?" said the Navy's Yerman.

The store also features Navy commissary promotions. Other Navy stores will not be included in the Coast Guard anniversary promotions, however.

— *Future Cross Operations* —

Headquarters commissary personnel at each service seem committed to the prospect of transferred stores, where they are deemed beneficial.

Possible other locations for cross-operated stores include Fort Devens and Hanscom AFB in Massachusetts; Fort Lewis and McChord AFB in Washington; and Fort Richardson and Elmendorf AFB in Alaska. Some people speculate that the Army could run all of the stores in the Washington, D.C., metropolitan area, or that the Air Force could take over everything in the San Antonio, Texas, area.

Overseas, would it make sense for the Army to operate Air Force stores in Germany?

"There are no plans for Germany," said TSA's Fulmore. "It might be looked at by the Jones Commission [during its deliberations on the future of commissaries], or it might not."

Former European commander Dooley admits it would be possible: "The Army could theoretically supply Air Force stores in Germany, but I don't know at what cost. They would have to add more staff. There's not much in the way of savings there. They would have to have one computer system."

Could the Marine Corps, with its efficient Pacific distribution system, manage other service commissaries in that area?

"The [West Coast Commissary] Complex could take care of small stores, but would not be able to handle larger ones [in the Pacific]," said Joseph Jeu, head of the Marine Corps' Services Branch. "We have system limitations. [But] once we upgrade the automated system, we certainly could support two or three more stores."

Some opportunities for cross-service operations already have been considered and rejected by the services:

- ☐ The Army and the Navy looked at the possibility of transferring Oakland Army Depot, Calif., to the Navy, since that service has a strong operation in the San Francisco Bay area. But "we found it wasn't cost efficient — it would cost more for the taxpayers," said the Navy's Yerman.
- ☐ TSA's Fulmore said, "We looked at receiving [Navy] support for the little store at Fort Story, Va., but when we analyzed it, we found it was better to retain our own support. It wouldn't have meant any savings."
- ☐ Yerman said that the Air Force considered having the Navy's Oakland Field Support Office be responsible for distribution to Air Force bases on Guam. But AFCOMS has since announced plans to distribute there via its own store at McClellan AFB, Calif.
- ☐ Fitzsimons Army Medical Center in Colorado was to transfer to the Air Force this month, but reports indicate that it will probably remain with the Army.

The Army has budgeted for a new commissary at that location in fiscal 1991, sooner than the Air Force could probably do so. Hospital commanders want to replace the outdated Fitzsimons commissary as soon as possible.

The Fitzsimons transfer was to be an interesting case, because it would have been one of the few instances where an existing store was transferred. Often, a new store is built by the gaining service.

According to Fulmore, the transfer made sense because, while Fitzsimons is only 3½ miles from Lowry AFB, Colo., it is 80 miles from the nearest Army store at Fort Carson, Colo. The Rocky Mountain Arsenal warehouse that services the Fitzsimons store is closing Oct. 1 under federal direction.

— *Flexible Arrangements* —

None of the accepted practices for the operation of a transferred store is written in stone, officials agree.

"Our agreement is, whatever the losing service put into it, goes to the service taking over," Fulmore said of the Army's cross-operated projects. "That's the arrangement so far. It's not a law. The future arrangements could be different."

Other details could also vary. For example, Fulmore explained that, in the hypothetical case where a store had its own warehouse with five or six employees, those people could be integrated into the overall structure of the gaining service, or there could be a reduction in force.

Commissary system decision-makers talk favorably about cross-operations. The Navy's Yerman summed up the popular view: "I strongly endorse them [joint operations], whenever the opportunity presents itself — as long as it doesn't cost the taxpayer money or affect customer service." MM

1989 ALMANAC

Military Market MAGAZINE

THE MARKET

Active duty age, sex 46
Race demographics 46
Reserve forces 46
Wives' ages 48
Children's ages 48
Military community population, by group .. 48
Active duty, by sex 48
Active duty by rank, sex and service 50

COMPENSATION

Military community income 52
10 years of average military compensation 52
1989 annual compensation, active duty military 52

RETAIL SALES

Military retail sales, by source 54
10 years of resale system sales 54
Largest supermarket chains/commissaries .. 54
Largest department/variety store chains/exchanges 54

EXCHANGES

Sales by service and region 56
10 years of exchange sales growth 56
Sales by department and region 58

COMMISSARIES

Sales by service and region 60
10 years of commissary sales growth 60
Comparison of commissaries vs. supermarkets 60

DESIGN BY LEE CERVERA

1989 ALMANAC

THE MARKET

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

Years of age	Men	Women	All
Under 21	17.36%	16.29%	17.25%
21–25	31.95%	36.21%	32.40%
26–29	17.42%	21.26%	17.82%
30–34	14.70%	16.30%	14.87%
35–39	10.78%	7.68%	10.45%
40 and over	7.79%	2.26%	7.21%

As of Fiscal Year 1989. Does not include Coast Guard.

SOURCE: DoD Directorate of Information, Operations & Reports.

RACE BREAKDOWN OF ACTIVE DUTY MILITARY

CAUCASIAN
1,557,356
72%

BLACK
426,496
20%

HISPANIC
84,930
4%

OTHER
85,238
4%

As of March 31, 1989.

SOURCE: Research Department, Army Times Publishing Co.

RESERVE FORCES IN PAID STATUS

ARMY RESERVE	
Officers	59,358
Enlisted	253,467
Total	**312,825**

ARMY NATIONAL GUARD	
Officers	48,216
Enlisted	406,966
Total	**455,182**

NAVAL RESERVE	
Officers	27,804
Enlisted	121,653
Total	**149,457**

MARINE CORPS RESERVE	
Officers	3,626
Enlisted	39,930
Total	**43,556**

AIR FORCE RESERVE	
Officers	16,549
Enlisted	65,567
Total	**82,116**

AIR NATIONAL GUARD	
Officers	13,960
Enlisted	101,261
Total	**115,221**

DoD RESERVES (Total)	
Officers	169,513
Enlisted	988,844
Total	**1,158,357**

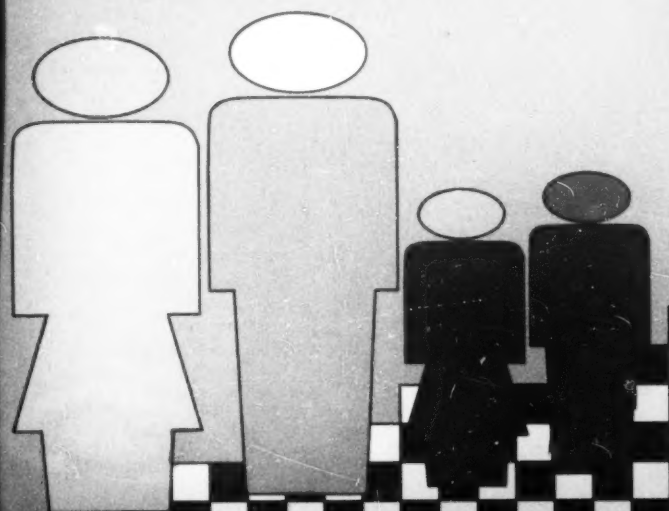
COAST GUARD RESERVE*	
Officers	1,533
Enlisted	10,551
Total	**12,084**

TOTAL (All Services)	
Officers	171,046
Enlisted	999,395
Total	**1,170,441**

As of Fiscal Year 1989.

*The Coast Guard is part of the Department of Transportation.

SOURCE: DoD Directorate of Information, Operations and Reports



1989 ALMANAC

THE MARKET

AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY

Years of age	Number	Percent
Under 5	504,557	30.3
5–9	581,156	34.9
10–14	402,979	24.2
15–17	176,512	10.6
Total	**1,665,204**	**100.0**

As of June 19, 1989.
SOURCE: Defense Eligibility Enrollment System

AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY

Years of age	Number	Percent
Under 20	75,055	6.4
20–24	364,719	31.1
25–29	314,291	26.8
30–34	247,446	21.1
35–39	155,973	13.3
40 and over	15,245	1.3
Total	**1,172,729**	**100.0**

As of June 19, 1989.
SOURCE: Defense Eligibility Enrollment System

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	Total Active Duty	Percent Male	Percent Female
CY1988	2,174,717	89.5	10.5
CY1987	2,211,871	89.8	10.2
CY1986	2,205,497	89.8	10.2
CY1985	2,190,016	90.2	9.8
CY1984	2,176,628	90.6	9.4
CY1983	2,123,349	90.7	9.3
CY1982	2,108,612	91.0	9.0

As of September 30th for each year listed.
SOURCES: DoD and Department of Transportation.

POPULATION OF THE MILITARY COMMUNITY*

	NUMBER	PERCENT
ACTIVE DUTY		
Active duty personnel	2,154,020	17.3
Males	1,928,522	15.5
Females	225,498	1.8
Dependents	2,910,277	23.4
Spouses	1,172,729	9.4
Children	1,665,204	13.4
Other	72,344	0.6
Total Active Duty	**5,064,297**	**40.7**
RETIREES		
Retired military**	1,566,899	12.6
Spouses	1,275,354	10.2
Children	1,755,293	14.1
Total Retired	**4,597,546**	**36.9**
RESERVISTS		
In paid status	1,170,441	9.4
Males	1,031,159	8.3
Females	139,282	1.1
Spouses	741,089	5.9
Children	889,296	7.1
Total Reservists	**2,800,826**	**22.4**
TOTAL MILITARY COMMUNITY	**12,462,669**	**100.0**

*As of March 31, 1989. Includes U.S. Coast Guard in active duty, reserves and retired.

**Includes 139,799 families receiving survivor benefits.

SOURCE: DoD Directorate for Information, Operations and Reports.

ACTIVE DUTY MILITARY BY RANK, SEX AND SERVICE

	ARMY		NAVY		MARINE CORPS		AIR FORCE	
Rank	Male	Female	Male	Female	Male	Female	Male	Female
OFFICERS								
O-7–O-10	393	4	254	2	69	1	332	2
O-6	4,321	106	3,711	113	630	10	5,383	126
O-5	10,334	526	7,508	465	1,601	22	11,924	502
O-4	15,157	1,634	12,112	1,502	3,128	86	17,890	1,725
O-3	29,400	4,607	19,801	2,820	5,902	229	37,123	5,923
O-2	12,455	2,600	7,482	996	4,134	140	11,893	2,708
O-1	8,468	1,882	11,301	1,404	2,533	115	7,682	1,913
Warrant officers	14,685	391	2,923	33	1,429	50	0	0
Total officers	**95,213**	**11,750**	**65,092**	**7,335**	**19,426**	**653**	**92,227**	**12,899**
ENLISTEDS								
E-9	4,220	36	4,542	27	1,472	11	4,829	29
E-8	14,432	276	9,971	158	3,757	55	9,482	195
E-7	48,498	2,375	32,531	1,234	9,281	224	37,151	1,702
E-6	79,889	7,257	77,295	5,615	14,759	715	53,813	5,129
E-5	103,632	14,063	94,792	11,166	23,628	1,795	97,256	14,543
E-4	173,044	27,127	96,188	12,652	30,873	2,066	99,614	17,321
E-3	82,971	10,301	63,385	9,329	51,565	2,432	70,287	14,462
E-2	42,873	6,071	42,863	3,975	20,154	1,156	22,705	5,282
E-1	39,370	4,010	43,438	5,083	12,822	506	10,738	2,318
Total enlisteds	**588,929**	**71,516**	**465,005**	**49,239**	**168,311**	**8,960**	**405,875**	**60,981**
CADETS/MIDSHIPMEN	**3,937**	**502**	**5,466**	**433**	**0**	**0**	**3,896**	**568**
GRAND TOTAL	**688,079**	**83,768**	**535,563**	**57,007**	**187,737**	**9,613**	**501,998**	**74,448**

	TOTAL DoD			COAST GUARD		TOTAL ALL SERVICES		
Rank	Male	Female	Total	Male	Female	Male	Female	Total
OFFICERS								
O-7–O-10	1,048	9	1,057	30	0	1,078	9	1,087
O-6	14,045	355	14,400	336	0	14,381	355	14,736
O-5	31,367	1,515	32,882	650	2	32,017	1,517	33,534
O-4	48,287	4,947	53,234	938	18	49,225	4,965	54,190
O-3	92,226	13,579	105,805	1,562	78	93,788	13,657	107,445
O-2	35,964	6,444	42,408	836	92	36,800	6,536	43,336
O-1	29,984	5,314	35,298	508	54	30,492	5,368	35,860
Warrant officers	19,037	474	19,511	1,388	12	20,425	486	20,911
Total officers	**271,958**	**32,637**	**304,595**	**6,248**	**256**	**278,206**	**32,893**	**311,099**
ENLISTEDS								
E-9	15,063	103	15,166	277	0	15,340	103	15,443
E-8	37,642	684	38,326	536	1	38,178	685	38,863
E-7	127,461	5,535	132,996	2,674	40	130,135	5,575	135,710
E-6	225,756	18,716	244,472	5,373	240	231,129	18,956	250,085
E-5	319,308	41,567	360,875	5,359	439	324,667	42,006	366,673
E-4	399,719	59,166	458,885	6,073	710	405,792	59,876	465,668
E-3	268,208	36,524	304,732	3,967	534	272,175	37,058	309,233
E-2	128,595	16,484	145,079	3,043	384	131,638	16,868	148,506
E-1	106,368	11,917	118,285	315	35	106,683	11,952	118,635
Total enlisteds	**1,628,120**	**190,696**	**1,818,816**	**27,617**	**2,383**	**1,655,737**	**193,079**	**1,848,816**
CADETS/MIDSHIPMEN	**13,299**	**1,503**	**14,802**	**0**	**0**	**13,299**	**1,503**	**14,802**
GRAND TOTAL	**1,913,377**	**224,836**	**2,138,213**	**33,865**	**2,639**	**1,947,242**	**227,475**	**2,174,717**

DoD data as of Fiscal Year 1989. Coast Guard data as of August 1, 1989.

1989 ALMANAC

COMPENSATION

AVERAGE MILITARY COMPENSATION FOR THE PAST 10 YEARS

FY 1989	$30,855
FY 1988	29,438
FY 1987	28,416
FY 1986	27,682
FY 1985	26,915
FY 1984	25,902
FY 1983	24,656
FY 1982	23,538
FY 1981	20,546
FY 1980	18,420

SOURCE: DoD Military Personnel Budget for the years shown.

INCOME OF THE MILITARY COMMUNITY FY 1989

Active Duty Military		Retired Military		Reservists In Paid Status	
Total	$74.2		$57.6		$37.4
Military pay, allowances, benefits	65.8	Pensions	20.1	Employment	25.0
Moonlighting and working spouses income	8.4	Second career jobs	27.3	Working spouses income	6.6
		Working spouses income	10.2	Reservist training pay	5.8
Total income of the military community					$169.2 billion

$ in billions.

SOURCES: DoD Personnel Budget for Fiscal Year 1989 and Department of Commerce and Bureau of the Census data for non-government income of families in the military community.

1989 ACTIVE DUTY MILITARY ANNUAL COMPENSATION

Average military compensation	$30,855*
Regular military compensation	24,354
Basic pay	16,999
Basic allowance for quarters	2,764
Variable housing allowance	751
Station allowance overseas	266
Subsistence allowance	1,948
Federal income tax advantage	1,626
Special pays & consumption advantage	6,501
Special allowances	580
Special and incentive pays & bonuses	1,120
Commissary and exchange savings	556
Free/reduced cost medical & dental care	2,404
Retirement credit, current year's service	000
Social Security payments (government contributions)	1,161

*Annual rate, including value of fringe benefits and consumption advantages. The breakdown above represents per-capita amounts derived by dividing the total value of each category by the number of active duty personnel.

SOURCE: Estimates based on DoD Personnel Budget for Fiscal Year 1989.

1989 ALMANAC

MARKET RETAIL SALES

LARGEST SUPERMARKET CHAINS CY 1988

1	Kroger	$ 19.1
2	American Stores	14.3
3	Safeway	13.6
4	Winn-Dixie	9.0
5	A & P	8.3
6	Albertson's	5.9
7	Supermarkets General	5.8
8	**Worldwide Commissaries**	**5.6**
9	**Domestic Commissaries**	**4.5**
10	Vons	3.9

$ in billions.

Domestic military commissary sales rose to 9th place from 10th place, while Supermarkets General jumped from 9th place to 7th place, passing Worldwide Commissaries, which remained in 8th place. Lucky Stores dropped from the list, having been bought by American Stores in June 1988. Meanwhile, Vons Supermarkets took over 10th place, having expanded significantly with the August 1988 acquisition of the Southern California operations of Safeway Stores.

Commissary sales include the 5 percent surcharge.

SOURCES: Sales of civilian supermarket chains were obtained from Standard and Poor's Corporate Descriptions On-Line. Military commissary sales are as reported by the headquarters offices of the various commissary systems.

THE MARKET'S RETAIL SALES

COMMISSARIES
$5,556.7 million

38.4%

EXCHANGES*
$8,909.9 million

61.6%

TOTAL
$14,466.6 million

100.0%

*Includes sales by mail order catalog, concessions, food service, personal services, etc.

COMBINED COMMISSARY AND EXCHANGE SALES

CY 1988	$14.467 billion
CY 1987	$13.705 billion
CY 1986	$12.660 billion
CY 1985	$12.155 billion
CY 1984	$12.068 billion
CY 1983	$11.789 billion
CY 1982	$11.354 billion
CY 1981	$10.640 billion
CY 1980	$9.863 billion
CY 1979	$8.890 billion

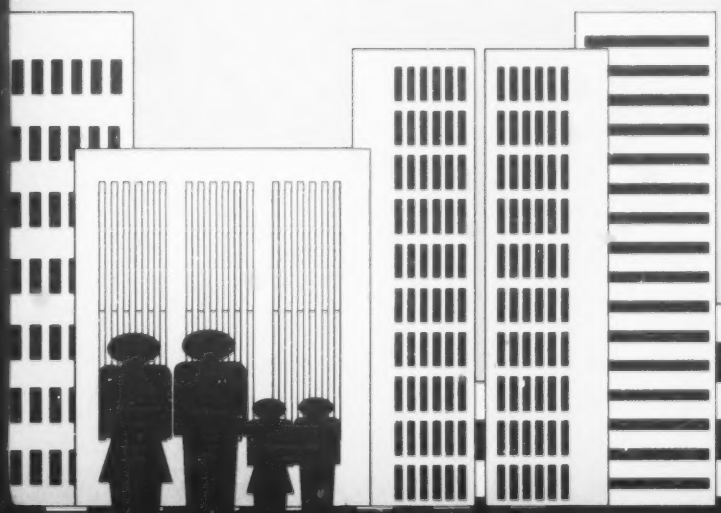
LARGEST DEPARTMENT STORE AND VARIETY CHAINS CY 1988

1	Sears	$ 30.1
2	K mart	25.9
3	Wal-Mart	20.6
4	J.C. Penney	15.3
5	May Department Stores	11.7
6	Federated Department Stores	11.1
7	Dayton-Hudson	10.7
8	**Worldwide Military Exchanges**	**8.9**
9	F.W. Woolworth	6.8
10	**Domestic Military Exchanges**	**5.8**

$ in billions.

Worldwide exchanges remained in 8th place, while domestic exchanges rose from 11th place to 10th place, replacing Zayre, which was acquired by Ames Department Stores last fall.

SOURCES: Sales of civilian department store chains were obtained from the following on-line computer data bases: Standard and Poor's Corporate Descriptions and Disclosures On-Line. Military exchange sales are as reported by the headquarters offices of the various exchange systems.



1989 ALMANAC

EXCHANGES

EXCHANGE SALES BY REGION CY 1988

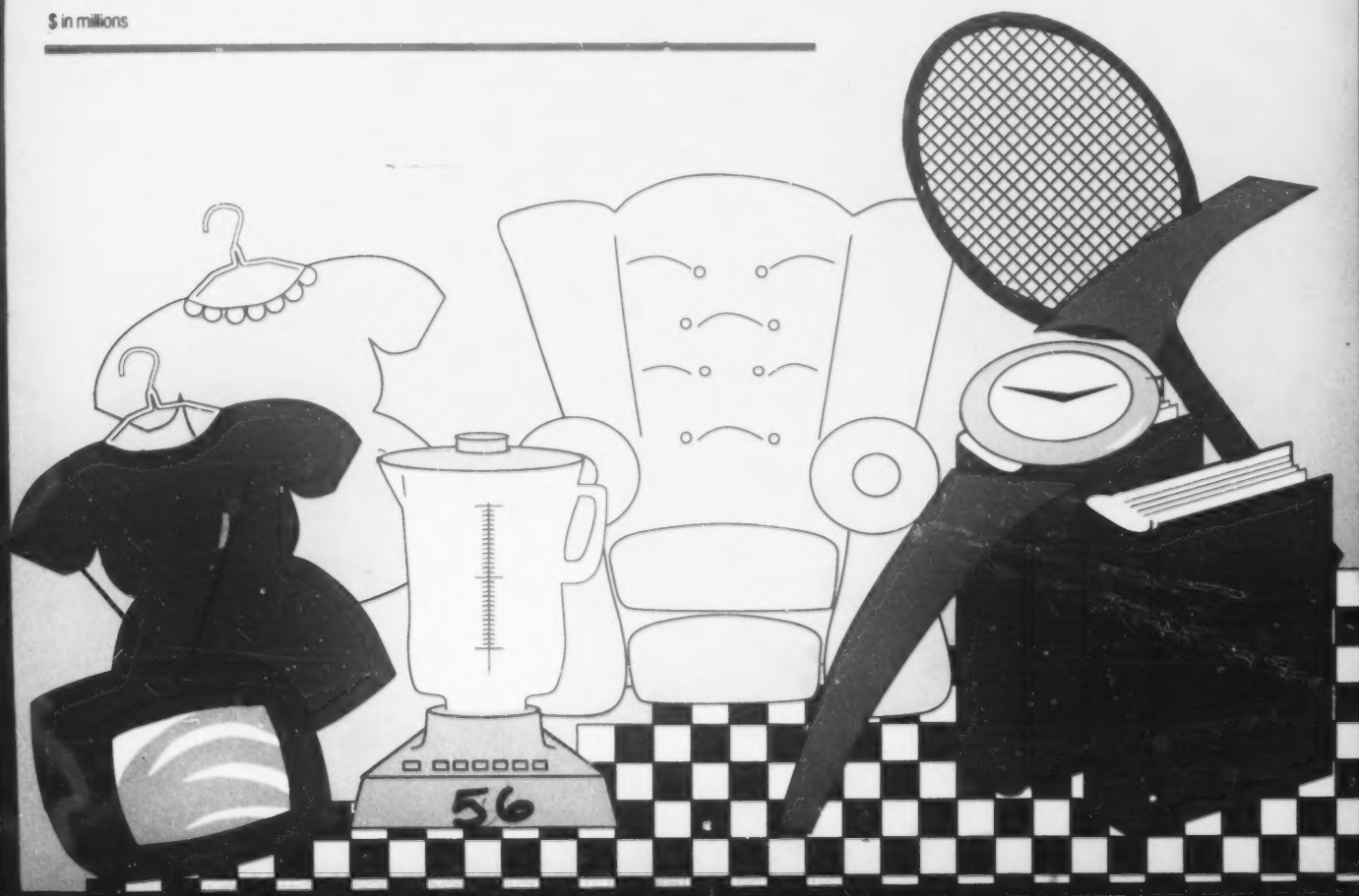
System	Domestic	Percent of Total	Overseas	Percent of Sales	Worldwide	Percent of Total
AAFES	$3,534.8	57.1	$2,659.9	42.9	$6,194.7	69.5
Navy	1,528.2	77.0	455.7	23.0	1,983.9	22.3
Marine Corps	414.0	93.9	26.7	6.1	440.7	4.9
Coast Guard	99.4	91.4	9.3	8.6	108.7	1.2
VCS	181.9	100.0			181.9	2.0
TOTAL	$5,758.3	64.6	$3,151.6	35.4	$8,909.9	100.0

$ in millions

10-YEAR EXCHANGE SALES GROWTH

CY 1988	$8.910
CY 1987	8.443
CY 1986	7.613
CY 1985	7.238
CY 1984	7.194
CY 1983	6.878
CY 1982	7.083
CY 1981	6.388
CY 1980	5.944
CY 1979	5.286

$ in billions.
SOURCE: Headquarters offices of exchange systems.



EXCHANGE RETAIL SALES BY DEPARTMENT AND BY AREA CY 1988

DEPARTMENT	CONUS	%	OVERSEAS	%	WORLDWIDE	%
Automotive accessories	$127,597,621	2.8	$60,205,675	2.3	$187,803,296	2.6
Gasoline/fuel[1]	348,305,162	7.7	150,165,038	5.7	498,470,200	7.0
Automotive labor[2]	23,159,764	0.5	5,867,178	0.2	29,026,942	0.4
Tobacco products, incl. vending	254,140,368	5.7	76,382,415	2.9	330,522,783	4.6
Military uniforms, incl. DPSC[3]	256,614,503	5.7	75,698,713	2.9	332,313,216	4.7
Convenience food, candy, snacks	254,019,012	5.7	192,135,954	7.3	446,154,966	6.3
Beer & soda, incl. vending[4]	266,459,443	5.9	160,502,025	6.1	426,961,468	6.0
Health & beauty aids	222,861,325	5.0	106,492,821	4.1	329,354,146	4.6
Cosmetics & fragrances	130,352,875	2.9	53,035,050	2.0	183,387,925	2.6
Jewelry, incl. precious	121,714,166	2.7	83,008,715	3.2	204,722,881	2.9
Watches	61,109,452	1.4	36,991,017	1.4	98,100,469	1.4
Stationery	84,400,051	1.9	29,155,858	1.1	113,555,909	1.6
Greeting cards	57,518,151	1.3	27,227,496	1.0	84,745,647	1.2
Books & periodicals	92,118,162	2.0	37,386,167	1.4	129,504,329	1.8
Men's outerwear	99,146,851	2.2	59,964,057	2.3	159,110,908	2.2
Men's furnishings	180,543,387	4.0	80,993,180	3.1	261,536,567	3.7
Women's outerwear	148,632,333	3.3	86,970,533	3.3	235,602,866	3.3
Women's furnishings	98,883,401	2.2	35,252,781	1.3	134,136,182	1.9
Boyswear	41,998,698	0.9	24,631,780	0.9	66,630,478	0.9
Girlswear	38,332,178	0.9	23,541,206	0.9	61,873,384	0.9
Infants' & toddlers' wear	52,667,085	1.2	31,912,950	1.2	84,580,035	1.2
Footwear	152,257,904	3.4	71,336,069	2.7	223,593,973	3.1
Linens & domestics	64,190,017	1.4	36,519,908	1.4	100,709,925	1.4
Yardage & sewing notions	7,976,431	0.2	15,357,108	0.6	23,333,539	0.3
Dinnerware & flatware	19,664,114	0.4	11,638,936	0.4	31,303,050	0.4
Kitchenware	49,032,852	1.1	28,004,989	1.1	77,037,840	1.1
Giftware	54,454,809	1.2	41,362,005	1.6	95,816,814	1.3
Cleaning supplies	59,900,232	1.3	29,615,242	1.1	89,515,474	1.3
Traffic & major appliances	95,849,890	2.1	68,071,096	2.6	163,920,986	2.3
Furniture & home furnishings	53,444,823	1.2	92,193,225	3.5	145,638,048	2.0
Hardware & pet supplies	111,275,797	2.5	39,381,754	1.5	150,657,551	2.1
Luggage	34,328,918	0.8	12,571,921	0.5	46,900,839	0.7
Garden & patio furniture	102,787,654	2.3	13,099,118	0.5	115,886,772	1.6
Sporting goods	66,125,700	1.5	37,821,047	1.4	103,946,747	1.5
Photo finishing	25,674,157	0.6	7,326,827	0.3	33,000,984	0.5
Photography & optical[5]	82,712,766	1.8	53,999,931	2.1	136,712,697	1.9
Toys, games & bicycles	85,600,812	1.9	68,599,435	2.6	154,200,247	2.2
Consumer electronics	295,487,960	6.6	410,465,474	15.6	705,953,434	9.9
Recorded sound & video	69,368,108	1.5	96,972,277	3.7	166,340,385	2.3
Videotape rental[6]	44,614,000	1.0	40,861,000	1.6	85,475,000	1.2
Distilled spirits & wine[7]	59,418,853	1.3	13,101,980	0.5	72,520,833	1.0
TOTAL RETAIL[8]	$4,494,739,782	100.0	$2,625,819,953	100.0	$7,120,559,735	100.0

[1] AAFES Retail Department 2, and Navy Services Department J-3.

[2] AAFES Retail Department 3, and Navy Services Department J-5.

[3] AAFES Retail Departments 19 and 40, Navy Retail Department E-1, and Navy Services Department L-1.

[4] Includes Navy Retail Department A-6 items sold through package stores.

[5] AAFES Retail Department 93, Navy Retail Department B-1, and Navy Services Department K-2.

[6] AAFES only

[7] Navy Retail Department A-9, which, along with Retail Department A-6 (beer and soda), is credited with sales through package store outlets.

[8] With the exceptions indicated in footnotes, 1, 2, 3 and 5, the above totals do not include sales of food or services departments such as cafeterias, snack bars, beauty and barber shops, nor do they include concession sales. No vending sales are included, with the exceptions of tobacco and beverage vending, as noted above.

SOURCE: Research Department, Army Times Publishing Company.

1989 ALMANAC

COMMISSARIES

COMMISSARY SALES BY REGION CY 1988

System	Domestic	Percent of Total	Overseas	Percent of Total	Worldwide	Percent of Total
Air Force	$2,014.3	81.4	$461.5	18.6%	$2,475.8	44.6
Army	1,519.3	78.0	428.9	22.0	1,948.2	35.1
Navy	789.0	89.8	89.6	10.2	878.7	15.8
Marine Corps	168.7	97.9	3.7	2.1	172.3	3.1
Coast Guard	3.3	48.5	3.5	51.5	6.8	0.1
State Department			75.0	100.0	75.0	1.3
TOTAL	$4,494.6	80.9	$1,062.1	19.1	$5,556.8	100.0

$ in millions

COMPARISON OF PERCENT SALES BY MAJOR DEPARTMENT COMMISSARIES VS. CIVILIAN SUPERMARKETS CY 1988

	Average Percent of Total Sales MEAT	Average Percent of Total Sales PRODUCE	Average Percent of Total Sales GROCERY
Army commissaries	13.9	4.7	81.4
Air Force commissaries	15.7	5.4	78.9
Navy commissaries	17.1	6.4	76.5
Marine Corps commissaries	16.3	6.0	77.7
Combined military commissaries	15.1	5.2	79.7
Civilian supermarkets	19.0	10.5	70.6

Surcharge has not been included in commissary sales. Therefore, military ratios are from cash register prices. No adjustment has been made for lower commissary price levels.

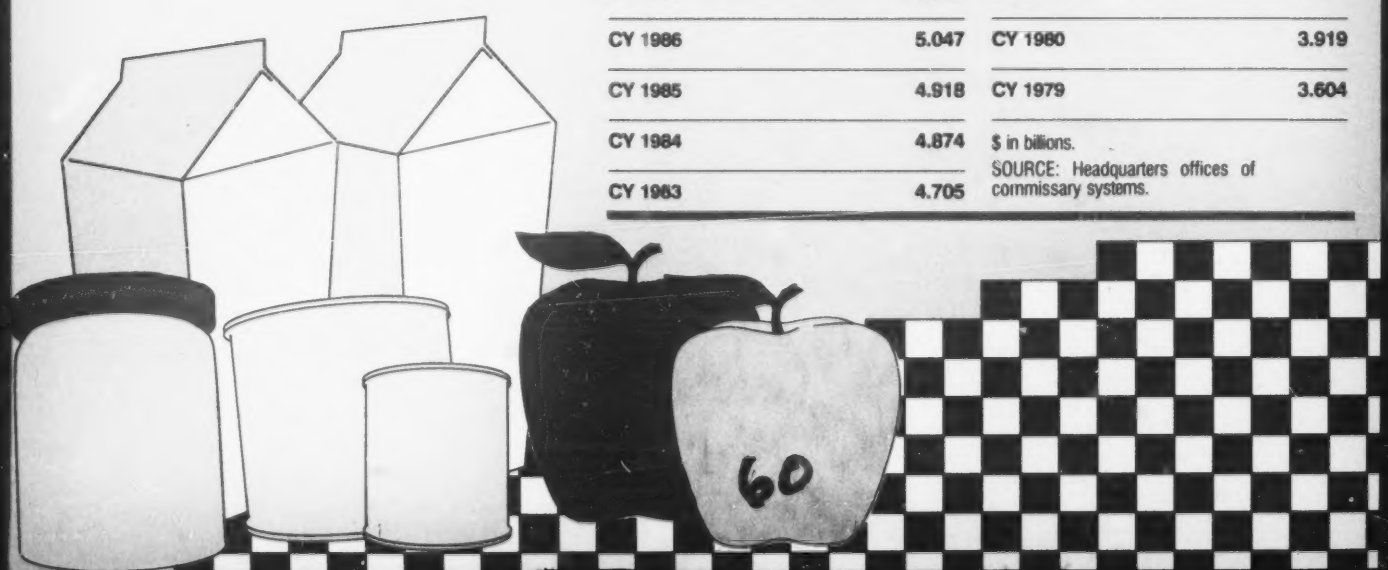
SOURCES: For commissaries, reports received from headquarters offices of the four military commissary systems shown. For supermarkets: "1989 Supermarket Sales Manual," *Progressive Grocer*, July 1989. To insure comparability, the percent of total sales by department exclude those categories of items not stocked in military commissaries, such as beer, wine, housewares, softgoods, books, periodicals and other non-food general merchandise. However, tobacco sales have been retained, even though Navy commissaries stock these items on a limited basis.

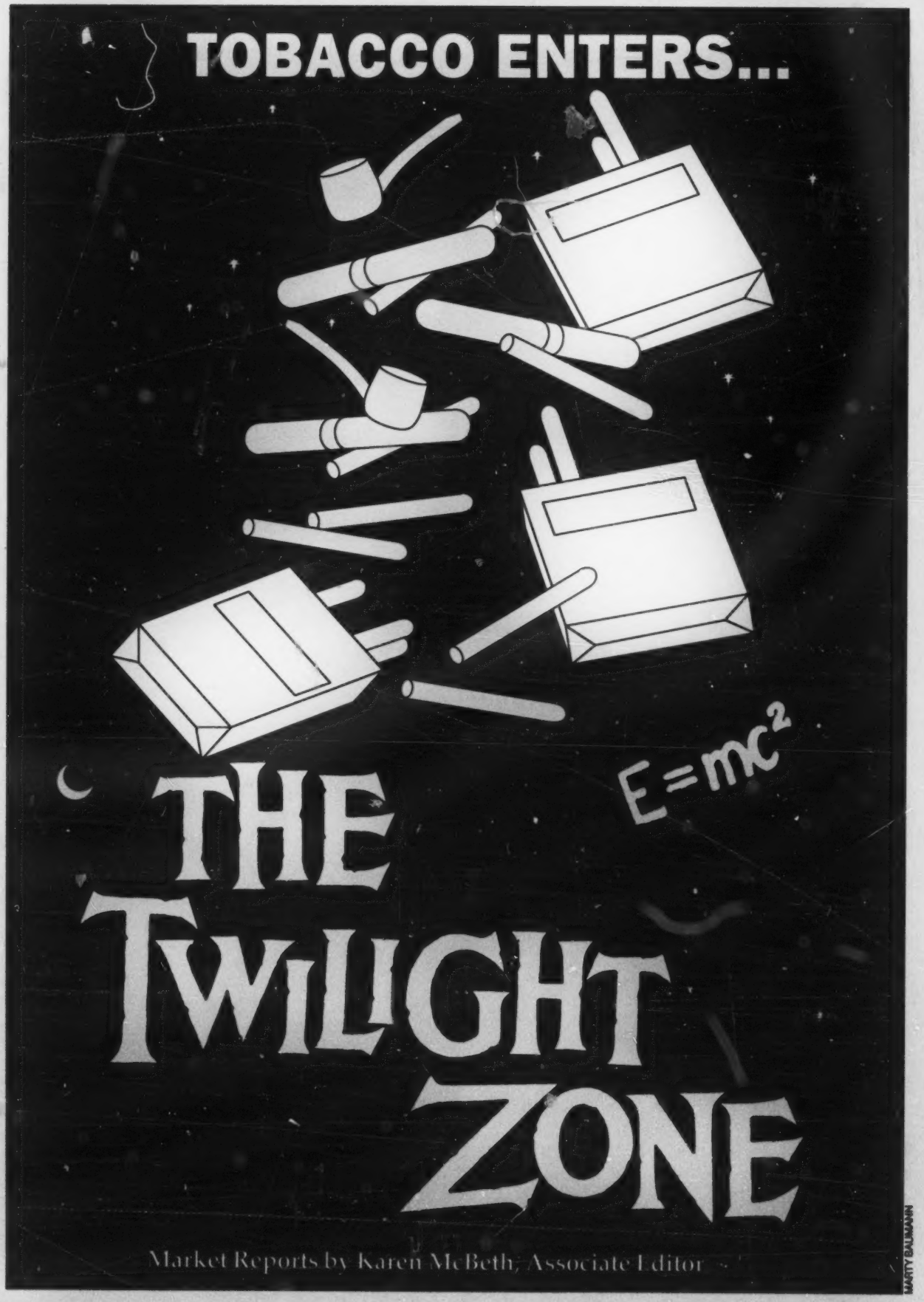
10-YEAR COMMISSARY SALES GROWTH

CY 1988	$5.557	CY 1982	4.476
CY 1987	5.262	CY 1981	4.251
CY 1986	5.047	CY 1980	3.919
CY 1985	4.918	CY 1979	3.604
CY 1984	4.874		
CY 1983	4.705		

$ in billions.

SOURCE: Headquarters offices of commissary systems.




TOBACCO ENTERS...
E=mc²
THE TWILIGHT ZONE
Market Reports by Karen McBeth, Associate Editor
MARTY BAUMANN

As the tobacco industry continues its slow decline, suppliers are doing what they can to revitalize a stale market. Last year's spark-producer, the so-called "smokeless" cigarette from R.J. Reynolds, fizzled out of test markets in February.

Now, the only breath of fresh air on the product scene is really not an innovation at all. Philip Morris is testing what it calls a "denicotined" cigarette. But competitors counter that it has the same nicotine content as some of their brands.

For an industry plagued by ill will and rising prices, the only alternative to changing an unchangeable product is to lower its price. And, ultimately, that is what manufacturers are doing.

Twice-annual price increases for veteran brands are still traditional. But more and more often, whole lines are joining, or rejoining, the ranks at lower-price points.

OVERVIEW

Last year again saw the overall 2-percent decrease in consumption and unit sales which has come to be expected for the tobacco industry. The Tobacco Institute reports that domestic cigarette sales for 1988 were 563 billion cigarettes, down from 575 billion cigarettes in 1987.

Industry analyst John C. Maxwell, of Wheat First Securities, told MILITARY MARKET that consumption probably will drop another 2 percent this year. However, *Advertising Age* reported that "the rate of decline is accelerating, with overall consumption down 4 percent for the first five months of 1989."

Sales in the military look a little brighter. Year-to-date as of June, carton shipments of cigarettes were up 0.12 percent when compared to the same period for 1988, according to Management Science Associates, which measures military tobacco shipments. Cartons shipped in the United States through the second quarter of 1989 totaled 36,554,880, up from 36,510,540 cartons in 1988.

Maxwell's data for 1988 revealed that Philip Morris was the only company to show sales gains last year, and R.J. Reynolds suffered its first market share decline in five years. Analysts cited in the *Wall Street Journal* predict 1 percent or 2 percent growth for Philip Morris's share this year, while RJR's could fall 7 percent or 8 percent.

Price/value (mid-priced) and generic cigarettes accounted for 11.4 percent of the total cigarette market last year, according to Maxwell. He told MILITARY MARKET that the price/value segment will continue to grow this year, while generics will decline. Maxwell data published in *Ad Age* showed Philip Morris held 30 percent of the value segment as of February.

TOP 10 CIGARETTE "FAMILIES"
Commercial Market vs. Military

	Commercial[1]		Military[2]	
Brand	**% 1988**	**% 1987**	**% 1989**	**% 1988**
Marlboro	24.7	23.6	18.26	18.40
Liggett Generic/PL			10.54	11.25
Winston	10.8	11.1	8.09	8.71
Doral	3.3	3.0	8.04	7.99
Salem	7.4	7.7	5.90	6.45
Kool	5.8	6.0	4.52	4.47
Newport	4.6	4.2		
Benson & Hedges	4.1	4.3	4.40	4.83
Camel	4.2	4.2		
B&W Generic/PL			4.01	2.88
Merit	3.9	3.9		
Pall Mall			3.13	3.48
Virginia Slims	3.1	3.1		
Carlton			2.91	2.87

A "family" includes all flavor/size variations packaged under a single name.

[1] SOURCE: Estimates by John C. Maxwell, Jr., Wheat First Securities, for calendar years 1988 and 1987.
[2] SOURCE: Management Science Associates, for year-to-date periods ending June 1989 and June 1988. Continental U.S. only. Excludes sales in Navy commissaries.

MILITARY TRENDS

Generics may be declining in the commercial sector, but in the military, smokers still like the black-and-whites. Dean Weller, a buyer of tobacco and accessories for the Army and Air Force Exchange Service, told MILITARY MARKET that the generic segment grew last year from about 10 percent of total cigarette sales to 12 percent of the category.

"As prices keep going up for cigarettes, people are switching to lower priced products," he explained. In AAFES, the mid-priced or price/value brands haven't grown as much as was predicted, Weller said.

A Navy exchange buyer reported that price/value brands and generics should continue to gain market share. Military sales managers also predict growth in both segments.

In the military, as in the commercial sector, rising prices cause dollar sales to increase, even though unit sales may bedown. In AAFES, dollar sales of tobacco products were up 5 percent in fiscal 1988, according to Weller. He said that unit sales declined for all categories except smokeless (chewing tobacco). Carton sales of cigarettes were down 12 percent in fiscal 1988.

Navy exchanges saw a 2.3-percent increase in tobacco department dollar sales, from $102.1 million in fiscal 1987 to $104.5 million in 1988. As of July, fiscal 1989 sales totaled $56.4 million.

Marine Corps exchanges sold $16.7 million in tobacco products in fiscal 1988, which ended in January. This is a 1-percent increase in dollar sales over fiscal 1987.

For the six Navy commissaries which sell tobacco items (Pearl Harbor, Guam, Atsugi, Chinae, NS Charleston and NWS Charleston), sales totaled $8,991,657 in fiscal 1988, which ended last October. This is a 9.7 percent increase in dollar sales. For fiscal 1989, as of Augus dollar sales were $8,124,852.

Military Audits of Market Information data show the following are the top-selling cigarette brands for all commissaries: **#1** — Marlboro king filter, hard box; **#2** — Winston king size filter; **#3** — Marlboro king size filter; **#4** — Doral 100s; **#5** — L&M Class A light 100s; **#6** — L&M Class A light king size filters; **#7** — Marlboro Light king size filters; **#8** — Pall Mall king size non-filter; **#9** — L&M Class A ultra light 100s, and **#10** — Doral king size filters.

"SAVINGS SEGMENT" SHARE OF RESALE CIGARETTE MARKET

Agency	%
Total commissaries	36.73
AFCOMS	35.23
TSA	39.11
Total exchanges	21.64
AAFES	19.73
Navy	23.49
Marine	20.00
Overall military	31.50

"Savings segment" includes generics, value 25s, and mid-priced (price/value) cigarettes. Standard-priced cigarettes make up the balance of the market; in this case, 68.5 percent of overall military market unit movement comes from standard-priced cigarettes.

SOURCE: Management Science Associates. Figures are year-to-date for June 1989, expressed in terms of unit movement.

CORPORATE MARKET SHARES
Military vs. Commercial Market

	Total Commissary	AFCOMS	TSA	Total Exchange	AAFES	NEX	MCX	CGX	Total Military	Overall Commercial
Philip Morris	30.1	31.1	28.9	38.2	40.6	35.2	45.3	33.0	32.8	39.3
R.J. Reynolds	29.9	30.3	28.5	24.8	22.7	26.5	23.7	27.7	28.3	31.8
Brown & Williamson	12.2	10.0	14.8	14.3	10.2	20.6	8.1	12.3	12.7	11.0
Liggett Group	14.5	14.5	15.2	6.6	11.3	1.2	5.5	8.3	11.9	2.7
American Tobacco	9.7	10.5	9.0	8.6	6.0	10.8	8.7	11.8	9.4	6.9
Lorillard	3.7	3.7	3.7	7.6	9.3	5.7	8.7	6.9	5.0	8.3

Figures are expressed in terms of percents of cigarette unit sales in the United States, excluding overseas and the six Navy commissaries which stock cigarettes. Percent shares of market may not total 100.0 because of rounding.

SOURCES: Military data from Management Science Associates for 6 months as of June 1989. Commercial data as of year-end 1988, based on estimates by John C. Maxwell Jr., Wheat First Securities.

PIPES: *Fashionable Smoking*

Pipes may be becoming the puff of choice for military smokers. According to some sources, sales keep increasing.

Dan Ward, national sales manager for Dr. Grabow Pre-Smoked Pipes, told MILITARY MARKET that military sales were up 12 percent year-to-date as of July. While poor sales during August meant that year-to-date sales at the end of that month were actually down 2.25 percent, Ward still expects to see growth at year's end because sales are traditionally better during cool months and the period before Christmas.

Despite the military discouragement of smoking in general, pipes are "doing very well," said William Lowell, president of Hash Mark Associates, the broker which represents Dr. Grabow. Some growth probably comes from cigarette or cigar smokers who have switched to pipes.

Another reason for the relative stability of the pipe industry is that the typical pipe puffer is an older, mature person who doesn't see the habit as hazardous to his health, Lowell explained. Thus pipe smokers are less likely to quit than cigarette smokers, for instance.

Pipes have also begun appealing to a new target market, according to Lowell: Young men entering the service are now trying pipes instead of cigarettes. "Pipe smoking is kind of fashionable," he said. And pipe smokers tend to be collectors, so they keep buying.

Last year ended with Dr. Grabow's sales up a few percentage points, according to Ward. The company is garnering business as competitors drop out of the military arena.

However, Dr. Grabow's success may not characterize the pipe category as a whole. Dean Weller, a buyer of tobacco and accessories for AAFES, told MILITARY MARKET that sales of pipes are "rapidly declining."

Dr. Grabow's Ward admitted that last year, he helped Navy exchanges reduce their stock assortment because they were carrying too many. And Hash Mark's Lowell said that AAFES also "purified" its stock assortment, keeping the better-selling pipes (about 11) and adding tobacco pouches, sweeteners and filters. AAFES's Weller said that the agency won't need to necessarily decrease its assortment, but it will continue to "control it."

Cigar smokers are more likely to switch to pipes than are cigarette smokers, according to Dr. Grabow's Ward. AAFES's Weller reported that sales of cigars are also down, and AAFES is revising its cigar stock assortment completely "to get more in line with the No. 1 sellers in industry."

While lighters are dependent on the tobacco industry for sales, *Convenience Store News* reports that the items move quickly if they are placed in strategic locations. As with any impulse product, lighters sell best at the front end, in the beer and soft drink section, with snacks and with bread.

Commissary shoppers prefer soft pack cigarettes over hard boxes 88 percent to 12 percent, according to MAMI. More than three-quarters of commissary shoppers prefer regular cigarettes over menthols.

NEWS FROM THE BIG SIX

☐ *Philip Morris USA:* The company's Next brand cigarette has been hailed by many as "nicotine-free," though it actually contains about a tenth of a milligram of the controversial chemical. According to the *Wall Street Journal*, Next's nicotine content is the same amount found in Carlton and Now, but it has higher levels of tar.

Next is being tested in Toledo, Ohio; Omaha, Neb.; and Hartford, Conn. Reports indicate that the company is offering an incentive of $60 a case for distributors to handle the brand.

Critics say Next's biggest market will be young smokers and wanna-be smokers. Trade publications report that the company now holds about 67 percent of the young adult smoker market (those 25 or younger).

In January, Philip Morris repositioned its Alpine brand from a full-margin product to a price/value brand. According to Maxwell data, Alpine had a tenth of a percent market share in 1988.

☐ *R.J. Reynolds Tobacco Co.:* According to *Ad Age*, RJR is expected to reduce trade promotions and increase advertising while the company's market share drops by as much as 10 percent this year.

However, Ralph Gaillard, director of military sales, told MILITARY MARKET that he expects sales to improve in upcoming months. "As everyone knows, we've been going through some changes corporately, and that's why our share is down," he explained. "We may be down, but we're not out."

The company's new brands are Magna and Chelsea. Magna is described as a "macho discount brand," targeted toward young male smokers. The *Wall Street Journal* reports that it is gaining some sales from Marlboro. Gaillard said that, in just three months after its April introduction, the brand achieved a 0.86 percent market share.

Chelsea, which produces a sweet-smelling smoke, is being tested in Southern Florida, Eastern Pennsylvania and Nevada. Gaillard said that it will reach the military if and when it goes national.

According to *Ad Age*, Doral is the No. 1 value cigarette and the only one to have reached the industry's Top 10. The newspaper reports that RJR's 39 percent share hold in the value segment is largely due to the success of Doral. "Doral is our strength in the military," Gaillard said.

☐ *Liggett Group:* Liggett is focusing on its new Pyramid brand, which is priced below generics and is available in nine styles. Debbie Harris, director of government sales, told MILITARY MARKET that it has been available nationally in commissaries and exchanges since February. Although considered part of the price/value segment, "it's another pricing tier," Harris said.

She pointed out that the price/value and generic cigarettes combined now represent 31 percent of total U.S. military cigarette sales. "Since we are a price value company, we're finding that as this category grows, our sales our growing also," Harris said. She added that Liggett's Class A generic brand accounts for 35 percent of sales in the combined category.

"We're continuing to see growth in the black-and-white segment," she explained. The reason generics fare better in the military than in civilian retail is because, in the military, Liggett has been able to build brand recognition for the Class As.

☐ *Brown and Williamson Tobacco Corp.:* After the market share of its Viceroy brand reached an all-time low in 1988,

Brown and Williamson tested the line at the mid-price range. By the beginning of this year, the Viceroy brand was in national distribution at the new, reduced price.

Irv Otte, director of government and vending, told MILITARY MARKET that for the eight months ending in August, sales of Viceroy were up 64.5 percent. The military market share for Viceroys had been sliding, to a low of 0.48 percent at the end of 1988, Otte said. As of June, the Viceroy share had risen to 0.70 percent — a jump of more than 45 percent.

In addition, the company's mid-priced Richland 20s, launched late last year, saw 829-percent growth in sales in the first eight months of this year.

Otte predicts that by 1993, the "value-for-money" segment will account for 53 percent of category sales in the government. He said that Brown and Williamson is now testing a new line of Belairs at a lower price in about 20 percent of the country, in civilian stores only.

B&W generics are growing as well: Case sales of the GPC-Approved brand are up 32.4 percent for the first eight months of 1989, Otte said.

Even unit sales of the Kool brand — which has declined for the past 8 years — are up, Otte said. He attributes the growth to more coupons, advertising and a strong marketing mix. "It's hard to turn a brand like that around."

☐ *Lorillard Inc.:* The word from the trade is that Lorillard is extending the test of its Harley-Davidson brand of cigarettes. The line was introduced to Terre Haute, Ind., in the fall of 1987, and it is now available in five other mini markets.

The company is also expanding distribution for its Newport Stripes. The brand, targeted at female smokers, was introduced in March 1988.

☐ *American Tobacco Corp.:* The company reports that in mid-September, it began national distribution for two new lines: Montclair and American Lights Menthol.

The Montclair brand is priced below generics — according to the company, a carton will cost about $4.01 in the military. The line will roll out gradually. American Lights Menthol cigarettes will be available in military stores at a generic-level price.

At the end of June, the company made its Malibu Ultra Lights 100s available nationally as well. The Malibu line is sold at a standard price, but it features an on-going, on-carton coupon promotion. The $3 discount brings its price down to mid-price range.

A new line that may soon appear on the national scene is the company's Misty brand. This thin, female-targeted cigarette is being tested in California and Louisiana markets.

SMOKELESS: *The Big Chew In Tobacco Field*

Smokeless products may turn out to be the saviors of the tobacco industry. The moist snuff segment has enjoyed healthy growth lately, prompting industry sources to speculate that tobacco lovers are making the switch from smoking to chewing.

Jim Cranford, director of marketing (existing products) for the Pinkerton Tobacco Corp., told MILITARY MARKET that the moist snuff category grew 8 percent in unit sales in 1988. Year-to-date sales for 1989 are up about 6 percent. A spokesman for U.S. Tobacco Co. said that the company's smokeless products grew 9 percent in unit volume sales last year, and they are up 2.6 percent for the first six months of 1989.

Snuff and loose leaf products have always had a niche in rural areas and small towns, but their popularity seems to be trickling to other markets.

Overall, U.S. Tobacco's Skoal and Copenhagen brands are the top sellers, with combined sales accounting for about 90 percent of all moist snuff sales in 1988. In the loose-leaf market, Conwood's Levi Garrett and The Pinkerton Tobacco Co.'s Red Man brands hold more than 50-percent share.

In commissaries, for the 12 months ending in June 1989, unit sales of smokeless tobacco products were up 9 percent, and dollar sales were up 16 percent, according to Military Audits of Market Information. MAMI data shows that the moist snuff segment grew from a 35-percent hold on the category to 45 percent.

In the Army and Air Force Exchange Service, the only tobacco segment to gain in unit sales last year was smokeless. Dean Weller, buyer of tobacco and accessories, told MILITARY MARKET that sales of smokeless items were up 16 percent as of January, both in dollars and in units.

"People seem to be switching from the burning product to the kind that you hold in your mouth," Weller explained.

Pinkerton's Cranford offers two reasons for the increasing use of moist snuff: It offers people who already use smokeless tobacco a more discreet form, and it's possible that some people are using moist snuff in lieu of smoking, particularly as localities and airlines place restrictions on where they can smoke.

In response to the new-found popularity of moist snuff, "there is a considerable amount of new product activity, on our part, and on the part of other manufacturers," said Ted Powell, vice president of marketing for Conwood Co. Conwood's newest item is Kodiak Straight natural-flavored moist snuff, distributed mainly in the Southeast. It is available in military stores.

This year Pinkerton introduced a new moist snuff line — Renegades, a portioned-pouch, wintergreen product in a can. Cranford said that the company has two other moist snuffs in test market: High Country, a straight non-flavored pouch product, and Blazer, a loose moist snuff.

New for U.S. Tobacco Co. is Skoal Bandits Classic, a portioned-pouch moist snuff product with a traditional taste.

Sales of loose-leaf chewing tobacco are flat to slightly declining, according to Cranford. At the end of 1988, they were off by a half percent when compared to 1987. This year, sales of loose-leaf will probably be flat. Pinkerton holds about a 39.4-percent share of the loose-leaf category — the market leader.

In commissaries, the top-10 sellers in the smokeless tobacco segment represent almost 80 percent of total packages sold, according to MAMI.

The leading brands are as follows: **#1** — Red Man 3 oz. pouch; **#2** — Copenhagen 1.2 oz. can; **#3** — Levi Garrett 3 oz. pouch; **#4** — Copenhagen 1.2 oz. can, 10-pack; **#5** — Skoal 1.2 oz. can; **#6** — Skoal Long Cut 1.2 oz can wintergreen; **#7** — Beechnut 3 oz. pouch; **#8** — Red Man 3 oz. 12-pack pouch; **#9** — Red Man 3 oz. Pouch Gold Blend, and **#10** — Levi Garrett 3 oz. 12-pack pouch.